



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

May 21, 2019

The Honorable Katie Hobbs  
Secretary of State  
1700 W. Washington, 7<sup>th</sup> Floor  
Phoenix, AZ 85007

Dear Secretary Hobbs:

I am transmitting to you the following bill from the Fifty-fourth Legislature, 1st Regular Session, which I signed on May 21<sup>st</sup>, 2019:

H.B. 2672 vacation rentals; short-term rentals; regulation (Kavanagh)

Sincerely,

Douglas A. Ducey  
Governor  
State of Arizona

cc: Senate Secretary  
Chief Clerk of the House of Representatives  
Arizona News Service



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The Honorable Katie Hobbs  
Secretary of State  
1700 W. Washington, 7<sup>th</sup> Floor  
Phoenix, AZ 85007

Re: House Bill 2672 vacation rentals; short-term rentals; regulation

Dear Secretary Hobbs:

Today, I signed H.B. 2672.

In Arizona we respect the right to do what we want with our property without undue government interference. That's why three years ago I signed S.B. 1350 to stop local governments from prohibiting homeowners from renting their homes on platforms like Airbnb and VRBO. That bill also narrowed the scope of permissible short-term rental regulations. Local governments may enforce rules related to building codes, traffic control, noise, zoning, and other areas that ensure that neighborhoods are safe and pleasant places to live.

Most short-term rental homeowners are good neighbors. H.B. 2672 provides a straight-forward enforcement mechanism to penalize "party house" operators for not upholding existing laws on their properties.

After solving this important enforcement challenge, I am hopeful that additional legislation regulating short-term rentals will not be needed. My expectation is that this bill will have no impact on most short-term rental homeowners. I am open to corrective action if this law is applied too broadly.

Sincerely,

Douglas A. Ducey  
Governor  
State of Arizona

cc: The Honorable Karen Fann  
The Honorable Rusty Bowers  
The Honorable John Kavanagh



Senate Engrossed House Bill

**FILED**

**KATIE HOBBS**

**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-fourth Legislature  
First Regular Session  
2019

**CHAPTER 240**  
**HOUSE BILL 2672**

AN ACT

AMENDING SECTIONS 9-500.39 AND 11-269.17, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 1, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-1125.02; AMENDING SECTIONS 42-2001 AND 42-2003, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5042; RELATING TO VACATION RENTALS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 9-500.39, Arizona Revised Statutes, is amended  
3 to read:

4 9-500.39. Limits on regulation of vacation rentals and  
5 short-term rentals; state preemption; definitions

6 A. A city or town may not prohibit vacation rentals or short-term  
7 rentals.

8 B. A city or town may not restrict the use of or regulate vacation  
9 rentals or short-term rentals based on their classification, use or  
10 occupancy EXCEPT AS PROVIDED IN THIS SECTION. A city or town may regulate  
11 vacation rentals or short-term rentals for the following purposes:

12 1. ~~Protection of~~ PROTECTING the public's health and safety,  
13 including rules and regulations related to fire and building codes, health  
14 and sanitation, transportation or traffic control, solid or hazardous  
15 waste and pollution control, and designation of an emergency point of  
16 contact, if the city or town demonstrates that the rule or regulation is  
17 for the primary purpose of protecting the public's health and safety.

18 2. Adopting and enforcing residential use and zoning ordinances,  
19 including ordinances related to noise, protection of welfare, property  
20 maintenance and other nuisance issues, if the ordinance is applied in the  
21 same manner as other property classified under sections 42-12003 and  
22 42-12004.

23 3. Limiting or prohibiting the use of a vacation rental or  
24 short-term rental for the purposes of housing sex offenders, operating or  
25 maintaining a sober living home, selling illegal drugs, liquor control or  
26 pornography, obscenity, nude or topless dancing and other adult-oriented  
27 businesses.

28 4. REQUIRING THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL TO  
29 PROVIDE THE CITY OR TOWN WITH CONTACT INFORMATION FOR THE OWNER OR THE  
30 OWNER'S DESIGNEE WHO IS RESPONSIBLE FOR RESPONDING TO COMPLAINTS IN A  
31 TIMELY MANNER IN PERSON, OVER THE PHONE OR BY E-MAIL AT ANY TIME OF DAY  
32 BEFORE OFFERING FOR RENT OR RENTING THE VACATION RENTAL OR SHORT-TERM  
33 RENTAL.

34 C. WITHIN THIRTY DAYS AFTER A VERIFIED VIOLATION, A CITY OR TOWN  
35 SHALL NOTIFY THE DEPARTMENT OF REVENUE AND THE OWNER OF THE VACATION  
36 RENTAL OR SHORT-TERM RENTAL OF THE VERIFIED VIOLATION OF THE CITY'S OR  
37 TOWN'S APPLICABLE LAWS, REGULATIONS OR ORDINANCES AND, IF THE OWNER OF THE  
38 VACATION RENTAL OR SHORT-TERM RENTAL RECEIVED THE VERIFIED VIOLATION,  
39 WHETHER THE CITY OR TOWN IMPOSED A CIVIL PENALTY ON THE OWNER OF THE  
40 VACATION RENTAL OR SHORT-TERM RENTAL AND THE AMOUNT OF THE CIVIL PENALTY,  
41 IF ASSESSED. IF MULTIPLE VERIFIED VIOLATIONS ARISE OUT OF THE SAME  
42 RESPONSE TO AN INCIDENT AT A VACATION RENTAL OR SHORT-TERM RENTAL, THOSE  
43 VERIFIED VIOLATIONS ARE CONSIDERED ONE VERIFIED VIOLATION FOR THE PURPOSE  
44 OF ASSESSING CIVIL PENALTIES PURSUANT TO SECTION 42-1125, SUBSECTION AA.

1 D. IF THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL HAS  
2 PROVIDED CONTACT INFORMATION TO A CITY OR TOWN PURSUANT TO SUBSECTION B,  
3 PARAGRAPH 4 OF THIS SECTION AND IF THE CITY OR TOWN ISSUES A CITATION FOR  
4 A VIOLATION OF THE CITY'S OR TOWN'S APPLICABLE LAWS, REGULATIONS OR  
5 ORDINANCES OR A STATE LAW THAT OCCURRED ON THE OWNER'S VACATION RENTAL OR  
6 SHORT-TERM RENTAL PROPERTY, THE CITY OR TOWN SHALL MAKE A REASONABLE  
7 ATTEMPT TO NOTIFY THE OWNER OR THE OWNER'S DESIGNEE OF THE CITATION WITHIN  
8 SEVEN BUSINESS DAYS AFTER THE CITATION IS ISSUED USING THE CONTACT  
9 INFORMATION PROVIDED PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS  
10 SECTION. IF THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL HAS NOT  
11 PROVIDED CONTACT INFORMATION PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS  
12 SECTION, THE CITY OR TOWN IS NOT REQUIRED TO PROVIDE SUCH NOTICE.

13 ~~E.~~ E. This section does not exempt an owner of a residential  
14 rental property, as defined in section 33-1901, from maintaining with the  
15 assessor of the county in which the property is located information  
16 required under title 33, chapter 17, article 1.

17 F. A VACATION RENTAL OR SHORT-TERM RENTAL MAY NOT BE USED FOR  
18 NONRESIDENTIAL USES, INCLUDING FOR A SPECIAL EVENT THAT WOULD OTHERWISE  
19 REQUIRE A PERMIT OR LICENSE PURSUANT TO A CITY OR TOWN ORDINANCE OR A  
20 STATE LAW OR RULE OR FOR A RETAIL, RESTAURANT, BANQUET SPACE OR OTHER  
21 SIMILAR USE.

22 ~~D.~~ G. For the purposes of this section:

23 1. "Transient" has the same meaning prescribed in section 42-5070.

24 2. "Vacation rental" or "short-term rental" means any individually  
25 or collectively owned single-family or one-to-four-family house or  
26 dwelling unit or any unit or group of units in a condominium, cooperative  
27 or timeshare, that is also a transient public lodging establishment or  
28 owner-occupied residential home offered for transient use if the  
29 accommodations are not classified for property taxation under section  
30 42-12001. Vacation rental and short-term rental do not include a unit  
31 that is used for any nonresidential use, including retail, restaurant,  
32 banquet space, event center or another similar use.

33 3. "VERIFIED VIOLATION" MEANS A FINDING OF GUILT OR CIVIL  
34 RESPONSIBILITY FOR VIOLATING ANY STATE LAW OR LOCAL ORDINANCE RELATING TO  
35 A PURPOSE PRESCRIBED IN SUBSECTION B OR F OF THIS SECTION THAT HAS BEEN  
36 FINALLY ADJUDICATED.

37 Sec. 2. Section 11-269.17, Arizona Revised Statutes, is amended to  
38 read:

39 11-269.17. Limits on regulation of vacation rentals and  
40 short-term rentals; state preemption;  
41 definitions

42 A. A county may not prohibit vacation rentals or short-term  
43 rentals.

44 B. A county may not restrict the use of or regulate vacation  
45 rentals or short-term rentals based on their classification, use or



1 occupancy EXCEPT AS PROVIDED IN THIS SECTION. A county may regulate  
2 vacation rentals or short-term rentals for the following purposes:

3 1. ~~Protection of~~ PROTECTING the public's health and safety,  
4 including rules and regulations related to fire and building codes, health  
5 and sanitation, transportation or traffic control, solid or hazardous  
6 waste and pollution control, and designation of an emergency point of  
7 contact, if the county demonstrates that the rule or regulation is for the  
8 primary purpose of protecting the public's health and safety.

9 2. Adopting and enforcing residential use and zoning ordinances,  
10 including ordinances related to noise, protection of welfare, property  
11 maintenance and other nuisance issues, if the ordinance is applied in the  
12 same manner as other property classified under sections 42-12003 and  
13 42-12004.

14 3. Limiting or prohibiting the use of a vacation rental or  
15 short-term rental for the purposes of housing sex offenders, operating or  
16 maintaining a sober living home, selling illegal drugs, liquor control or  
17 pornography, obscenity, nude or topless dancing and other adult-oriented  
18 businesses.

19 4. REQUIRING THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL TO  
20 PROVIDE THE COUNTY WITH CONTACT INFORMATION FOR THE OWNER OR THE OWNER'S  
21 DESIGNEE WHO IS RESPONSIBLE FOR RESPONDING TO COMPLAINTS IN A TIMELY  
22 MANNER IN PERSON, OVER THE PHONE OR BY E-MAIL AT ANY TIME OF DAY BEFORE  
23 OFFERING FOR RENT OR RENTING THE VACATION RENTAL OR SHORT-TERM RENTAL.

24 C. WITHIN THIRTY DAYS AFTER A VERIFIED VIOLATION, A COUNTY SHALL  
25 NOTIFY THE DEPARTMENT OF REVENUE AND THE OWNER OF THE VACATION RENTAL OR  
26 SHORT-TERM RENTAL OF THE VERIFIED VIOLATION OF THE COUNTY'S APPLICABLE  
27 LAWS, REGULATIONS OR ORDINANCES AND, IF THE PROPERTY OWNER RECEIVED THE  
28 VERIFIED VIOLATION, WHETHER THE COUNTY IMPOSED A CIVIL PENALTY ON THE  
29 OWNER OF THE VACATION RENTAL OR SHORT-TERM RENTAL AND THE AMOUNT OF THE  
30 CIVIL PENALTY, IF ASSESSED. IF MULTIPLE VERIFIED VIOLATIONS ARISE OUT OF  
31 THE SAME RESPONSE TO AN INCIDENT AT A VACATION RENTAL OR SHORT-TERM  
32 RENTAL, THOSE VERIFIED VIOLATIONS ARE CONSIDERED ONE VERIFIED VIOLATION  
33 FOR THE PURPOSE OF ASSESSING CIVIL PENALTIES PURSUANT TO SECTION 42-1125,  
34 SUBSECTION AA.

35 D. IF THE OWNER OF A VACATION RENTAL OR SHORT-TERM RENTAL HAS  
36 PROVIDED CONTACT INFORMATION TO A COUNTY PURSUANT TO SUBSECTION B,  
37 PARAGRAPH 4 OF THIS SECTION AND IF THE COUNTY ISSUES A CITATION FOR A  
38 VIOLATION OF THE COUNTY'S APPLICABLE LAWS, REGULATIONS OR ORDINANCES OR A  
39 STATE LAW THAT OCCURRED ON THE OWNER'S VACATION RENTAL OR SHORT-TERM  
40 RENTAL PROPERTY, THE COUNTY SHALL MAKE A REASONABLE ATTEMPT TO NOTIFY THE  
41 OWNER OR THE OWNER'S DESIGNEE OF THE CITATION WITHIN SEVEN BUSINESS DAYS  
42 AFTER THE CITATION IS ISSUED USING THE CONTACT INFORMATION PROVIDED  
43 PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS SECTION. IF THE OWNER OF A  
44 VACATION RENTAL OR SHORT-TERM RENTAL HAS NOT PROVIDED CONTACT INFORMATION

1 PURSUANT TO SUBSECTION B, PARAGRAPH 4 OF THIS SECTION, THE COUNTY IS NOT  
2 REQUIRED TO PROVIDE SUCH NOTICE.

3 ~~E.~~ E. This section does not exempt an owner of a residential  
4 rental property, as defined in section 33-1901, from maintaining with the  
5 assessor of the county in which the property is located information  
6 required under title 33, chapter 17, article 1.

7 F. A VACATION RENTAL OR SHORT-TERM RENTAL MAY NOT BE USED FOR  
8 NONRESIDENTIAL USES, INCLUDING FOR A SPECIAL EVENT THAT WOULD OTHERWISE  
9 REQUIRE A PERMIT OR LICENSE PURSUANT TO A COUNTY ORDINANCE OR A STATE LAW  
10 OR RULE OR FOR A RETAIL, RESTAURANT, BANQUET SPACE OR OTHER SIMILAR USE.

11 ~~D.~~ G. For the purposes of this section:

12 1. "Transient" has the same meaning prescribed in section 42-5070.

13 2. "Vacation rental" or "short-term rental" means any individually  
14 or collectively owned single-family or one-to-four-family house or  
15 dwelling unit or any unit or group of units in a condominium, cooperative  
16 or timeshare, that is also a transient public lodging establishment or  
17 owner-occupied residential home offered for transient use if the  
18 accommodations are not classified for property taxation under section  
19 42-12001. Vacation rental and short-term rental do not include a unit  
20 that is used for any nonresidential use, including retail, restaurant,  
21 banquet space, event center or another similar use.

22 3. "VERIFIED VIOLATION" MEANS A FINDING OF GUILT OR CIVIL  
23 RESPONSIBILITY FOR VIOLATING ANY STATE LAW OR LOCAL ORDINANCE RELATING TO  
24 A PURPOSE PRESCRIBED IN SUBSECTION B OR F OF THIS SECTION THAT HAS BEEN  
25 FINALLY ADJUDICATED.

26 Sec. 3. Title 42, chapter 1, article 3, Arizona Revised Statutes,  
27 is amended by adding section 42-1125.02, to read:

28 42-1125.02. Civil penalties; online lodging operators;  
29 appeal; definitions

30 A. AN ONLINE LODGING OPERATOR THAT FAILS TO COMPLY WITH SECTION  
31 42-5042 SHALL PAY THE FOLLOWING CIVIL PENALTY:

32 1. FOR A FIRST OFFENSE, \$250.

33 2. FOR A SECOND AND ANY SUBSEQUENT OFFENSE, \$1,000.

34 B. IF AN ONLINE LODGING OPERATOR RECEIVED A VERIFIED VIOLATION, THE  
35 ONLINE LODGING OPERATOR SHALL PAY THE FOLLOWING CIVIL PENALTY:

36 1. FOR A FIRST VERIFIED VIOLATION RECEIVED FOR A PROPERTY, EITHER:

37 (a) IF THE CITY, TOWN OR COUNTY DID NOT IMPOSE A CIVIL PENALTY ON  
38 THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, \$500.

39 (b) IF THE CITY, TOWN OR COUNTY IMPOSED A CIVIL PENALTY ON THE  
40 ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, THE DIFFERENCE BETWEEN  
41 THE AMOUNT PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH AND THE AMOUNT  
42 OF THE CIVIL PENALTY THE CITY, TOWN OR COUNTY IMPOSED ON THE ONLINE  
43 LODGING OPERATOR FOR THE VERIFIED VIOLATION.

44 2. FOR A SECOND VERIFIED VIOLATION RECEIVED ON THE SAME PROPERTY  
45 WITHIN A TWELVE-MONTH PERIOD, EITHER:



1 (a) IF THE CITY, TOWN OR COUNTY DID NOT IMPOSE A CIVIL PENALTY ON  
2 THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, \$1,000.

3 (b) IF THE CITY, TOWN OR COUNTY IMPOSED A CIVIL PENALTY ON THE  
4 ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, THE DIFFERENCE BETWEEN  
5 THE AMOUNT PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH AND THE AMOUNT  
6 OF THE CIVIL PENALTY THE CITY, TOWN OR COUNTY IMPOSED ON THE ONLINE  
7 LODGING OPERATOR FOR THE VERIFIED VIOLATION.

8 3. FOR A THIRD AND ANY SUBSEQUENT VERIFIED VIOLATION RECEIVED ON  
9 THE SAME PROPERTY WITHIN THE SAME TWELVE-MONTH PERIOD, EITHER:

10 (a) IF THE CITY, TOWN OR COUNTY DID NOT IMPOSE A CIVIL PENALTY ON  
11 THE ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, FIFTY PERCENT OF  
12 THE GROSS MONTHLY REVENUES OF THE LODGING ACCOMMODATION AT WHICH THE  
13 VIOLATION OCCURRED FOR THE MONTH IN WHICH THE VIOLATION OCCURRED OR  
14 \$1,500, WHICHEVER IS GREATER.

15 (b) IF THE CITY, TOWN OR COUNTY IMPOSED A CIVIL PENALTY ON THE  
16 ONLINE LODGING OPERATOR FOR THE VERIFIED VIOLATION, THE DIFFERENCE BETWEEN  
17 THE AMOUNT PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH AND THE AMOUNT  
18 OF THE CIVIL PENALTY THE CITY, TOWN OR COUNTY IMPOSED ON THE ONLINE  
19 LODGING OPERATOR FOR THE VERIFIED VIOLATION.

20 C. IF THE DEPARTMENT IMPOSES A CIVIL PENALTY PURSUANT TO SUBSECTION  
21 B, PARAGRAPH 1 OF THIS SECTION AND THE ONLINE LODGING OPERATOR APPEALS THE  
22 CIVIL PENALTY, THE HEARING OFFICER MAY WAIVE OR LOWER THE CIVIL PENALTY  
23 BASED ON THE ONLINE LODGING OPERATOR'S DILIGENCE IN ATTEMPTING TO PROHIBIT  
24 RENTERS FROM VIOLATING STATE LAW OR THE CITY'S OR TOWN'S APPLICABLE LAWS,  
25 REGULATIONS OR ORDINANCES. IN DETERMINING WHETHER TO WAIVE OR LOWER THE  
26 CIVIL PENALTY, THE HEARING OFFICER SHALL CONSIDER BOTH OF THE FOLLOWING:

27 1. WHETHER RULES THAT PROHIBIT ACTIVITIES VIOLATING STATE LAW OR  
28 THE CITY'S OR TOWN'S APPLICABLE LAWS, REGULATIONS OR ORDINANCES WERE  
29 INCLUDED IN THE ADVERTISEMENT FOR THE LODGING ACCOMMODATION, VACATION  
30 RENTAL OR SHORT-TERM RENTAL.

31 2. WHETHER THE RULES DESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION  
32 WERE POSTED IN A CONSPICUOUS LOCATION INSIDE THE LODGING ACCOMMODATION,  
33 VACATION RENTAL OR SHORT-TERM RENTAL.

34 D. FOR THE PURPOSES OF THIS SECTION:

35 1. "LODGING ACCOMMODATION" HAS THE SAME MEANING PRESCRIBED IN  
36 SECTION 42-5076.

37 2. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN  
38 SECTION 42-5076.

39 3. "ONLINE LODGING OPERATOR" HAS THE SAME MEANING PRESCRIBED IN  
40 SECTION 42-5076 AND INCLUDES AN OWNER OF A VACATION RENTAL OR SHORT-TERM  
41 RENTAL THAT IS NOT OFFERED THROUGH AN ONLINE LODGING MARKETPLACE.

42 4. "VACATION RENTAL" AND "SHORT-TERM RENTAL" HAVE THE SAME MEANINGS  
43 PRESCRIBED IN SECTION 9-500.39 OR 11-269.17.

44 5. "VERIFIED VIOLATION" HAS THE SAME MEANING PRESCRIBED IN SECTION  
45 9-500.39 OR 11-269.17.

1           Sec. 4. Section 42-2001, Arizona Revised Statutes, is amended to  
2 read:  
3           42-2001. Definitions  
4           In this article, unless the context otherwise requires:  
5           1. "Confidential information":  
6           (a) Includes the following information whether it concerns  
7 individual taxpayers or is aggregate information for specifically  
8 identified taxpayers:  
9           (i) Returns and reports filed with the department for income tax,  
10 withholding tax, transaction privilege tax, luxury tax, use tax, property  
11 tax and severance tax.  
12           (ii) Applications for transaction privilege licenses, luxury tax  
13 licenses, use tax licenses and withholding licenses.  
14           (iii) Information discovered concerning taxes and receipts by the  
15 department, whether or not by compulsory process.  
16           (iv) Return information obtained from the United States internal  
17 revenue service and United States bureau of alcohol, tobacco and firearms.  
18           (v) Information supplied at the special request of the department  
19 by a taxpayer ~~which~~ THAT the taxpayer requests to be held in confidence.  
20           (vi) Guidelines, standards or procedures that are established by  
21 the department for, or other information relating to, selecting returns or  
22 taxpayers for examination or settling or compromising any tax liability.  
23           (vii) A taxpayer's identity, the nature, source or amount of the  
24 taxpayer's income, payments, receipts, deductions, exemptions, credits,  
25 assets, liabilities, net worth, tax liability, tax withheld, deficiencies,  
26 overassessments or tax payments, whether the taxpayer's return was, is  
27 being or will be examined or subject to investigation, collection or  
28 processing or any other data received by, recorded by, prepared by,  
29 furnished to or collected by the department with respect to a return or  
30 with respect to the termination, or possible existence, of liability of  
31 any person for any tax, penalty or interest imposed pursuant to this title  
32 or title 43.  
33           (viii) Information supplied by an employee to an employer regarding  
34 the employee's election to have the employee's withholding tax reduced for  
35 the purposes of contributions to qualifying charitable organizations,  
36 qualified school tuition organizations or public schools pursuant to  
37 section 43-401, subsection G.  
38           (b) Does not include information that is otherwise a public record.  
39           2. "Report" includes a notice of insurance payments, a request for  
40 a release of a bank account and an inventory of a safe deposit box.  
41           3. "Return" includes any form prescribed by the department and any  
42 supporting schedules, attachments and lists.  
43           4. "Tax administration" includes assessment, collection,  
44 investigation, litigation, statistical gathering functions, enforcement,



1 policy making functions or management of those functions of the tax  
2 revenue laws of this state.

3 5. "TAX OFFICIAL" MEANS A NONELECTED EMPLOYEE OR THE NONELECTED  
4 EMPLOYEE'S DESIGNEE OR AGENT WHO IS RESPONSIBLE FOR TAX ADMINISTRATION.

5 ~~5.~~ 6. "Taxpayer", with respect to a joint return, means either  
6 party.

7 Sec. 5. Section 42-2003, Arizona Revised Statutes, is amended to  
8 read:

9 42-2003. Authorized disclosure of confidential information

10 A. Confidential information relating to:

11 1. A taxpayer may be disclosed to the taxpayer, its successor in  
12 interest or a designee of the taxpayer who is authorized in writing by the  
13 taxpayer. A principal corporate officer of a parent corporation may  
14 execute a written authorization for a controlled subsidiary.

15 2. A corporate taxpayer may be disclosed to any principal officer,  
16 any person designated by a principal officer or any person designated in a  
17 resolution by the corporate board of directors or other similar governing  
18 body. If a corporate officer signs a statement under penalty of perjury  
19 representing that the officer is a principal officer, the department may  
20 rely on the statement until the statement is shown to be false. For the  
21 purposes of this paragraph, "principal officer" includes a chief executive  
22 officer, president, secretary, treasurer, vice president of tax, chief  
23 financial officer, chief operating officer or chief tax officer or any  
24 other corporate officer who has the authority to bind the taxpayer on  
25 matters related to state taxes.

26 3. A partnership may be disclosed to any partner of the  
27 partnership. This exception does not include disclosure of confidential  
28 information of a particular partner unless otherwise authorized.

29 4. A limited liability company may be disclosed to any member of  
30 the company or, if the company is manager-managed, to any manager.

31 5. An estate may be disclosed to the personal representative of the  
32 estate and to any heir, next of kin or beneficiary under the will of the  
33 decedent if the department finds that the heir, next of kin or beneficiary  
34 has a material interest that will be affected by the confidential  
35 information.

36 6. A trust may be disclosed to the trustee or trustees, jointly or  
37 separately, and to the grantor or any beneficiary of the trust if the  
38 department finds that the grantor or beneficiary has a material interest  
39 that will be affected by the confidential information.

40 7. A government entity may be disclosed to the head of the entity  
41 or a member of the governing board of the entity, or any employee of the  
42 entity who has been delegated the authorization in writing by the head of  
43 the entity or the governing board of the entity.

1           8. Any taxpayer may be disclosed if the taxpayer has waived any  
2 rights to confidentiality either in writing or on the record in any  
3 administrative or judicial proceeding.

4           9. The name and taxpayer identification numbers of persons issued  
5 direct payment permits may be publicly disclosed.

6           10. Any taxpayer may be disclosed during a meeting or telephone  
7 call if the taxpayer is present during the meeting or telephone call and  
8 authorizes the disclosure of confidential information.

9           B. Confidential information may be disclosed to:

10          1. Any employee of the department whose official duties involve tax  
11 administration.

12          2. The office of the attorney general solely for its use in  
13 preparation for, or in an investigation that may result in, any proceeding  
14 involving tax administration before the department or any other agency or  
15 board of this state, or before any grand jury or any state or federal  
16 court.

17          3. The department of liquor licenses and control for its use in  
18 determining whether a spirituous liquor licensee has paid all transaction  
19 privilege taxes and affiliated excise taxes incurred as a result of the  
20 sale of spirituous liquor, as defined in section 4-101, at the licensed  
21 establishment and imposed on the licensed establishments by this state and  
22 its political subdivisions.

23          4. Other state tax officials whose official duties require the  
24 disclosure for proper tax administration purposes if the information is  
25 sought in connection with an investigation or any other proceeding  
26 conducted by the official. Any disclosure is limited to information of a  
27 taxpayer who is being investigated or who is a party to a proceeding  
28 conducted by the official.

29          5. The following agencies, officials and organizations, if they  
30 grant substantially similar privileges to the department for the type of  
31 information being sought, pursuant to statute and a written agreement  
32 between the department and the foreign country, agency, state, Indian  
33 tribe or organization:

34          (a) The United States internal revenue service, alcohol and tobacco  
35 tax and trade bureau of the United States treasury, United States bureau  
36 of alcohol, tobacco, firearms and explosives of the United States  
37 department of justice, United States drug enforcement agency and federal  
38 bureau of investigation.

39          (b) A state tax official of another state.

40          (c) An organization of states, federation of tax administrators or  
41 multistate tax commission that operates an information exchange for tax  
42 administration purposes.

43          (d) An agency, official or organization of a foreign country with  
44 responsibilities that are comparable to those listed in subdivision (a),

45          (b) or (c) of this paragraph.

1 (e) An agency, official or organization of an Indian tribal  
2 government with responsibilities comparable to the responsibilities of the  
3 agencies, officials or organizations identified in subdivision (a), (b) or  
4 (c) of this paragraph.

5 6. The auditor general, in connection with any audit of the  
6 department subject to the restrictions in section 42-2002, subsection D.

7 7. Any person to the extent necessary for effective tax  
8 administration in connection with:

9 (a) The processing, storage, transmission, destruction and  
10 reproduction of the information.

11 (b) The programming, maintenance, repair, testing and procurement  
12 of equipment for purposes of tax administration.

13 (c) The collection of the taxpayer's civil liability.

14 8. The office of administrative hearings relating to taxes  
15 administered by the department pursuant to section 42-1101, but the  
16 department shall not disclose any confidential information without the  
17 taxpayer's written consent:

18 (a) Regarding income tax or withholding tax.

19 (b) On any tax issue relating to information associated with the  
20 reporting of income tax or withholding tax.

21 9. The United States treasury inspector general for tax  
22 administration for the purpose of reporting a violation of internal  
23 revenue code section 7213A (26 United States Code section 7213A),  
24 unauthorized inspection of returns or return information.

25 10. The financial management service of the United States treasury  
26 department for use in the treasury offset program.

27 11. The United States treasury department or its authorized agent  
28 for use in the state income tax levy program and in the electronic federal  
29 tax payment system.

30 12. The Arizona commerce authority for its use in:

31 (a) Qualifying renewable energy operations for the tax incentives  
32 under section 42-12006.

33 (b) Qualifying businesses with a qualified facility for income tax  
34 credits under sections 43-1083.03 and 43-1164.04.

35 (c) Fulfilling its annual reporting responsibility pursuant to  
36 section 41-1511, subsections U and V and section 41-1512, subsections U  
37 and V.

38 (d) Certifying computer data centers for tax relief under section  
39 41-1519.

40 13. A prosecutor for purposes of section 32-1164, subsection C.

41 14. The office of the state fire marshal for use in determining  
42 compliance with and enforcing title 37, chapter 9, article 5.

43 15. The department of transportation for its use in administering  
44 taxes, surcharges and penalties prescribed by title 28.



1       16. The Arizona health care cost containment system administration  
2 for its use in administering nursing facility provider assessments.

3       17. The department of administration risk management division and  
4 the office of the attorney general if the information relates to a claim  
5 against this state pursuant to section 12-821.01 involving the department  
6 of revenue.

7       18. Another state agency if the taxpayer authorizes the disclosure  
8 of confidential information in writing, including an authorization that is  
9 part of an application form or other document submitted to the agency.

10       19. The department of economic security for its use in determining  
11 whether an employer has paid all amounts due under the unemployment  
12 insurance program pursuant to title 23, chapter 4.

13       C. Confidential information may be disclosed in any state or  
14 federal judicial or administrative proceeding pertaining to tax  
15 administration pursuant to the following conditions:

16       1. One or more of the following circumstances must apply:

17       (a) The taxpayer is a party to the proceeding.

18       (b) The proceeding arose out of, or in connection with, determining  
19 the taxpayer's civil or criminal liability, or the collection of the  
20 taxpayer's civil liability, with respect to any tax imposed under this  
21 title or title 43.

22       (c) The treatment of an item reflected on the taxpayer's return is  
23 directly related to the resolution of an issue in the proceeding.

24       (d) Return information directly relates to a transactional  
25 relationship between a person who is a party to the proceeding and the  
26 taxpayer and directly affects the resolution of an issue in the  
27 proceeding.

28       2. Confidential information may not be disclosed under this  
29 subsection if the disclosure is prohibited by section 42-2002, subsection  
30 C or D.

31       D. Identity information may be disclosed for purposes of notifying  
32 persons entitled to tax refunds if the department is unable to locate the  
33 persons after reasonable effort.

34       E. The department, on the request of any person, shall provide the  
35 names and addresses of bingo licensees as defined in section 5-401, verify  
36 whether or not a person has a privilege license and number, a tobacco  
37 product distributor's license and number or a withholding license and  
38 number or disclose the information to be posted on the department's  
39 website or otherwise publicly accessible pursuant to section 42-1124,  
40 subsection F and section 42-3401.

41       F. A department employee, in connection with the official duties  
42 relating to any audit, collection activity or civil or criminal  
43 investigation, may disclose return information to the extent that  
44 disclosure is necessary to obtain information that is not otherwise  
45 reasonably available. These official duties include the correct

determination of and liability for tax, the amount to be collected or the enforcement of other state tax revenue laws.

G. Confidential information relating to transaction privilege tax, use tax, severance tax, jet fuel excise and use tax and any other tax collected by the department on behalf of any jurisdiction may be disclosed to any county, city or town tax official if the information relates to a taxpayer who is or may be taxable by a county, city or town or who may be subject to audit by the department pursuant to section 42-6002. Any taxpayer information THAT IS released by the department to the county, city or town:

1. May ~~only~~ be used ONLY for internal purposes, including audits. IF THERE IS A LEGITIMATE BUSINESS NEED RELATING TO ENFORCING LAWS, REGULATIONS AND ORDINANCES PURSUANT TO SECTION 9-500.39 OR 11-269.17, A COUNTY, CITY OR TOWN TAX OFFICIAL MAY REDISCLOSE TRANSACTION PRIVILEGE TAX INFORMATION RELATING TO A VACATION RENTAL OR SHORT-TERM RENTAL PROPERTY OWNER OR ONLINE LODGING OPERATOR FROM THE NEW LICENSE REPORT AND LICENSE UPDATE REPORT, SUBJECT TO THE FOLLOWING:

(a) THE INFORMATION REDISCLOSED IS LIMITED TO THE FOLLOWING:

(i) THE TRANSACTION PRIVILEGE TAX LICENSE NUMBER.

(ii) THE TYPE OF ORGANIZATION OR OWNERSHIP OF THE BUSINESS.

(iii) THE LEGAL BUSINESS NAME AND DOING BUSINESS AS NAME, IF DIFFERENT FROM THE LEGAL NAME.

(iv) THE BUSINESS MAILING ADDRESS, TAX RECORD PHYSICAL LOCATION ADDRESS, TELEPHONE NUMBER, E-MAIL ADDRESS AND FAX NUMBER.

(v) THE DATE THE BUSINESS STARTED IN THIS STATE, THE BUSINESS DESCRIPTION AND THE NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM CODE.

(vi) THE NAME, ADDRESS AND TELEPHONE NUMBER FOR EACH OWNER, PARTNER, CORPORATE OFFICER, MEMBER, MANAGING MEMBER OR OFFICIAL OF THE EMPLOYING UNIT.

(b) REDISCLOSURE IS LIMITED TO NONELECTED OFFICIALS IN OTHER UNITS WITHIN THE COUNTY, CITY OR TOWN. THE INFORMATION MAY NOT BE REDISCLOSED TO AN ELECTED OFFICIAL OR THE ELECTED OFFICIAL'S STAFF.

(c) ALL REDISCLOSURES OF CONFIDENTIAL INFORMATION MADE PURSUANT TO THIS PARAGRAPH ARE SUBJECT TO PARAGRAPH 2 OF THIS SUBSECTION.

2. May not be disclosed to the public in any manner that does not comply with confidentiality standards established by the department. The county, city or town shall agree in writing with the department that any release of confidential information that violates the confidentiality standards adopted by the department will result in the immediate suspension of any rights of the county, city or town to receive taxpayer information under this subsection.

H. The department may disclose statistical information gathered from confidential information if it does not disclose confidential information attributable to any one taxpayer. The department may disclose



1 statistical information gathered from confidential information, even if it  
2 discloses confidential information attributable to a taxpayer, to:

3 1. The state treasurer in order to comply with the requirements of  
4 section 42-5029, subsection A, paragraph 3.

5 2. The joint legislative income tax credit review committee, the  
6 joint legislative budget committee staff and the legislative staff in  
7 order to comply with the requirements of section 43-221.

8 I. The department may disclose the aggregate amounts of any tax  
9 credit, tax deduction or tax exemption enacted after January 1, 1994.  
10 Information subject to disclosure under this subsection shall not be  
11 disclosed if a taxpayer demonstrates to the department that such  
12 information would give an unfair advantage to competitors.

13 J. Except as provided in section 42-2002, subsection C,  
14 confidential information, described in section 42-2001, paragraph 1,  
15 subdivision (a), item (ii), may be disclosed to law enforcement agencies  
16 for law enforcement purposes.

17 K. The department may provide transaction privilege tax license  
18 information to property tax officials in a county for the purpose of  
19 identification and verification of the tax status of commercial property.

20 L. The department may provide transaction privilege tax, luxury  
21 tax, use tax, property tax and severance tax information to the  
22 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

23 M. Except as provided in section 42-2002, subsection D, a court may  
24 order the department to disclose confidential information pertaining to a  
25 party to an action. An order shall be made only on a showing of good  
26 cause and that the party seeking the information has made demand on the  
27 taxpayer for the information.

28 N. This section does not prohibit the disclosure by the department  
29 of any information or documents submitted to the department by a bingo  
30 licensee. Before disclosing the information, the department shall obtain  
31 the name and address of the person requesting the information.

32 O. If the department is required or permitted to disclose  
33 confidential information, it may charge the person or agency requesting  
34 the information for the reasonable cost of its services.

35 P. Except as provided in section 42-2002, subsection D, the  
36 department of revenue shall release confidential information as requested  
37 by the department of economic security pursuant to section 42-1122 or  
38 46-291. Information disclosed under this subsection is limited to the  
39 same type of information that the United States internal revenue service  
40 is authorized to disclose under section 6103(1)(6) of the internal revenue  
41 code.

42 Q. Except as provided in section 42-2002, subsection D, the  
43 department ~~of revenue~~ shall release confidential information as requested  
44 by the courts and clerks of the court pursuant to section 42-1122.

1 R. To comply with the requirements of section 42-5031, the  
2 department may disclose to the state treasurer, to the county stadium  
3 district board of directors and to any city or town tax official that is  
4 part of the county stadium district confidential information attributable  
5 to a taxpayer's business activity conducted in the county stadium  
6 district.

7 S. The department shall release to the attorney general  
8 confidential information as requested by the attorney general for purposes  
9 of determining compliance with or enforcing any of the following:

10 1. Any public health control law relating to tobacco sales as  
11 provided under title 36, chapter 6, article 14.

12 2. Any law relating to reduced cigarette ignition propensity  
13 standards as provided under title 37, chapter 9, article 5.

14 3. Sections 44-7101 and 44-7111, the master settlement agreement  
15 referred to in those sections and all agreements regarding disputes under  
16 the master settlement agreement.

17 T. For proceedings before the department, the office of  
18 administrative hearings, the STATE board of tax appeals or any state or  
19 federal court involving penalties that were assessed against a return  
20 preparer, an electronic return preparer or a payroll service company  
21 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential  
22 information may be disclosed only before the judge or administrative law  
23 judge adjudicating the proceeding, the parties to the proceeding and the  
24 parties' representatives in the proceeding prior to its introduction into  
25 evidence in the proceeding. The confidential information may be  
26 introduced as evidence in the proceeding only if the taxpayer's name, the  
27 names of any dependents listed on the return, all social security numbers,  
28 the taxpayer's address, the taxpayer's signature and any attachments  
29 containing any of the foregoing information are redacted and if either:

30 1. The treatment of an item reflected on such A return is or may be  
31 related to the resolution of an issue in the proceeding.

32 2. Such a return or the return information relates or may relate to  
33 a transactional relationship between a person who is a party to the  
34 proceeding and the taxpayer that directly affects the resolution of an  
35 issue in the proceeding.

36 3. The method of payment of the taxpayer's withholding tax  
37 liability or the method of filing the taxpayer's withholding tax return is  
38 an issue for the period.

39 U. The department and attorney general may share the information  
40 specified in subsection S of this section with any of the following:

41 1. Federal, state or local agencies located in this state for the  
42 purposes of enforcement of the statutes or agreements specified in  
43 subsection S of this section or for the purposes of enforcement of  
44 corresponding laws of other states.



1           2. Indian tribes located in this state for the purposes of  
2 enforcement of the statutes or agreements specified in subsection S of  
3 this section.

4           3. A court, arbitrator, data clearinghouse or similar entity for  
5 the purpose of assessing compliance with or making calculations required  
6 by the master settlement agreement or agreements regarding disputes under  
7 the master settlement agreement, and with counsel for the parties or  
8 expert witnesses in any such proceeding, if the information otherwise  
9 remains confidential.

10          V. The department may provide the name and address of qualifying  
11 hospitals and qualifying health care organizations, as defined in section  
12 42-5001, to a business THAT IS classified and reporting transaction  
13 privilege tax under the utilities classification.

14          W. The department may disclose to an official of any city, town or  
15 county in a current agreement or considering a prospective agreement with  
16 the department as described in section 42-5032.02, subsection G any  
17 information relating to amounts subject to distribution THAT ARE required  
18 by section 42-5032.02. Information disclosed by the department under this  
19 subsection:

20           1. May only be used by the city, town or county for internal  
21 purposes.

22           2. May not be disclosed to the public in any manner that does not  
23 comply with confidentiality standards established by the department. The  
24 city, town or county must agree with the department in writing that any  
25 release of confidential information that violates the confidentiality  
26 standards will result in the immediate suspension of any rights of the  
27 city, town or county to receive information under this subsection.

28          X. Notwithstanding any other provision of this section, the  
29 department may not disclose information provided by an online lodging  
30 marketplace, as defined in section 42-5076, without the written consent of  
31 the online lodging marketplace, and the information may be disclosed only  
32 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,  
33 paragraphs 1, 2, 7 and 8 and subsections C, ~~and~~ D AND G of this section.  
34 Such information:

35           1. Is not subject to disclosure pursuant to title 39, relating to  
36 public records.

37           2. May not be disclosed to any agency of this state or of any  
38 county, city, town or other political subdivision of this state.

39          Sec. 6. Title 42, chapter 5, article 1, Arizona Revised Statutes,  
40 is amended by adding section 42-5042, to read:

41           42-5042. Online lodging operators; requirements; definitions

42           A. AN ONLINE LODGING OPERATOR MAY NOT OFFER FOR RENT OR RENT A  
43 LODGING ACCOMMODATION WITHOUT A CURRENT TRANSACTION PRIVILEGE TAX LICENSE.  
44 THE ONLINE LODGING OPERATOR SHALL LIST THE TRANSACTION PRIVILEGE TAX  
45 LICENSE NUMBER ON EACH ADVERTISEMENT FOR EACH LODGING ACCOMMODATION THE



1 ONLINE LODGING OPERATOR MAINTAINS, INCLUDING ONLINE LODGING MARKETPLACE  
2 POSTINGS.  
3 B. FOR THE PURPOSES OF THIS SECTION:  
4 1. "LODGING ACCOMMODATION" HAS THE SAME MEANING PRESCRIBED IN  
5 SECTION 42-5076.  
6 2. "ONLINE LODGING MARKETPLACE" HAS THE SAME MEANING PRESCRIBED IN  
7 SECTION 42-5076.  
8 3. "ONLINE LODGING OPERATOR" HAS THE SAME MEANING PRESCRIBED IN  
9 SECTION 42-5076 AND INCLUDES AN OWNER OF A VACATION RENTAL OR SHORT-TERM  
10 RENTAL, AS DEFINED IN SECTION 9-500.39 OR 11-269.17, THAT IS NOT OFFERED  
11 THROUGH AN ONLINE LODGING MARKETPLACE.

**APPROVED BY THE GOVERNOR MAY 21, 2019.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 21, 2019.**

Passed the House March 11, 20 19

by the following vote: 41 Ayes,

19 Nays, 0 Not Voting

W. R. Boyce  
Speaker of the House

☒ Pro Tempore

Jim Drake  
Chief Clerk of the House

Passed the Senate May 6, 20 19

by the following vote: 17 Ayes,

12 Nays, 1 Not Voting

Karen Farn  
President of the Senate

Susan Cheeks  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of

\_\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State

H.B. 2672

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

May 15, 2019,

by the following vote: 42 Ayes,

18 Nays, 0 Not Voting

B. Bruce  
Speaker of the House

Jim Drake  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

15 day of May, 2019,

at 11:22 o'clock A M.

Samuel A. Alcaraz  
Secretary to the Governor

Approved this 21<sup>st</sup> day of

May, 2019,

at 2:20 o'clock P M.

Joseph G. Ivey  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 21 day of May, 2019,

at 4:27 o'clock P. M.

[Signature]  
Secretary of State

H.B. 2672